



**ANNOUNCEMENT**

**23 JULY 2009**

## **REPORT FOR THE JUNE 2009 QUARTER**

Coal of Africa Limited, the AIM/ASX/JSE listed coal mining and development company operating in South Africa (ticker: CZA) ("CoAL" or "the Company") announces its operational report for the quarter ended 30 June 2009. A full copy of this report is available on the Company's website, [www.coalofafrica.com](http://www.coalofafrica.com).

### **Highlights**

- Increased coal production at the Mooiplaats thermal coal project ("Mooiplaats Project").
- Commissioning of the Mooiplaats Project Coal Handling and Preparation Plant ("CHPP") with the capacity to process 110,000 tonnes of run-of-mine coal per month.
- Finalisation of revised mining layout for the Mooiplaats Project following an extensive reassessment of the mine plan and geological conditions.
- Submission of the Environmental Impact Assessment ("EIA") and Environmental Management Programme ("EMP") for the Vele coking coal project ("Vele Project").
- Railed over 7,000 tonnes of third party coal to the Matola Terminal in Maputo, Mozambique.
- Commencement of construction of the laboratory in Polokwane to reduce time delays for thermal and coking coal sample analysis.
- Appointment of Mr Paul Holmes as Managing Director of the Nimag Group of companies.
- Cash balance at the end of the quarter of A\$87 million - the Company has no debt.

Commenting on the results today, Simon Farrell, Managing Director of CoAL said, "I am pleased to report that the Company has successfully commissioned the CHPP at Mooiplaats and the mine is operational with the required infrastructure to deliver coal to the domestic and international markets. The development of the Mooiplaats Project is almost complete and is below the original CAPEX budget. Furthermore, we have no debt and sufficient cash to complete this development, as well as phase one of the Vele Project. This positions the Company ideally to take advantage of improving international coal prices during the 2010 financial year."

## **DISCUSSION OF RESULTS**

### **Mooiplaats Thermal Coal Project – Ermelo Coalfield (100%)**

At the end of June 2009, approximately 3,400 metres had been cut, yielding over 49,500 tonnes of coal. The Company is currently mining over 30,000 tonnes of run of mine ("ROM") mid-volatile lean coal, which can be quickly ramped up to 80,000 ROM tonnes per month if required. Low volatile, high calorific value (>27MJ/kg) coal currently mined at Mooiplaats is being stockpiled. Negotiations with potential buyers are continuing.

A revised mining layout for the project has been finalised following an extensive reassessment of the mine plan and geological conditions at Mooiplaats. The Company is undertaking additional vertical as well as horizontal drilling programmes to re-affirm the amended mine layout. By the end of June, 44 holes for the vertical drilling programme were complete and the horizontal drilling machine had finished four holes comprising over 246 metres. Results from the drilling programmes will also be used to better determine the transition from lean to export quality thermal coal.

By the end of June, the majority of the mine infrastructure was complete, with the CHPP commissioned earlier in the month. Kwena Mineral Processing Services, a leading black owned mining and metallurgical processing company, will operate the plant and assumed this function at the end of May. The second phase of the CHPP module is expected to be commissioned in Q4 of 2009. Once the high volatile coal is being mined and processed, the CHPP will produce an export quality thermal coal as well as a lower grade middlings product, suitable for the domestic power station market.

The remaining road, conveyor and workshop infrastructure is expected to be completed by the end of July and the phase one wash plant workshop is due for completion in mid-August. Agreement has been reached with the owner of a nearby siding, which will be used while the Overvaal siding is being re-commissioned. The work required to re-commission the Overvaal siding is expected to be completed by Q1 2010, pending relevant approvals.

The Company has reached, in principle, an agreement with two international coal trading companies for a minimum of 70% of the export thermal coal expected to be produced at Mooiplaats. Formal agreements will be concluded early in the next quarter. The terms and conditions proposed by the traders are favourable, offering significant upside over what are considered standard terms in the industry.

An application to amend the current New Order Mining Right to include the farms Klipbank and Adrianople has been lodged with the Department of Minerals and Energy ("DME"). The extension will result in the development of the south decline and increase the life of the mine.

**Vele Coking Coal Project – Tuli Coal Field (74% - subsequent to 30 June 2009, agreements were concluded enabling CoAL to acquire the remaining 26% of the Vele Project)**

During the quarter, the Company refined the development of the Vele project into two phases with the first phase comprising the establishment of a modular coal treatment plant with a capacity to deliver approximately one million saleable tonnes of coking coal per annum. The capacity of the modular plant can be doubled dependant on market conditions. Phase two of the project will enable the delivery of 5 million tonnes of coking coal per annum.

Work on the feasibility document continued during the quarter with initial results of the study expected in Q3 of 2009. Phase one of the engineering, procurement and construction management proposal to provide services and infrastructure for the modular plant has been implemented and discussions with MCC Contracts (“MCC”), the appointed open cast mining contractor, are ongoing. The mining contract with MCC is due to be signed early in the next quarter.

Exploration to gather geotechnical data for the assessment of the decline site conditions continued and exploration confirmed that the overall dip of the coal is one degree and not the previously modelled 2 to 3 degrees. Drilling on areas where significant infrastructure will be positioned has been completed and infrastructure planning will be finalised during the next quarter.

In May, CoAL submitted the comprehensive EMP and EIA to the DME in which the Company committed itself to the highest level of environmental and social performance.

CoAL has committed to spending in excess of R18 million per annum on various programmes *inter alia* rehabilitation and re-vegetation, biodiversity, dust suppression and environmental monitoring and auditing. An additional R1 million per annum will be spent on archaeology and palaeontology to monitor and manage heritage resources. Further funds have been committed to skills development, infrastructure development and community services. Macro economic impacts from the project are expected to be significant and include potential job creation, benefits for the South African balance of payments due to exports generated and the reduction of coal imports.

**Makhado Coking Coal Project – Soutpansberg Coal Field (100%)**

During the quarter, the Company acquired the surface rights for the farm Tanga 849 MS, which will be used for the establishment of project infrastructure. Negotiations with other Makhado coking coal project (“Makhado Project”) surface right owners are ongoing and will be finalised pending the DME’s approval of the exchange of New Order Prospecting Rights between Rio Tinto and CoAL.

In June, the Company prepared an application for the extraction of a bulk sample from the Makhado Project, which was submitted to the DME in early July. The sample will yield 1,000 tonnes of coal for analysis by ArcelorMittal in their coking ovens.

The first of three large diameter borehole bulk sample sites was completed, bringing the total metres drilled and geologically logged from January to June 2009 to 2,322. Washability tests on the

bulk sample cores have been completed and specialist coking tests are now in progress. The exploration drilling confirmed the presence of other coal horizons in the overburden of the deeper coal to the north of the proposed open-cut. All new exploration data is being incorporated into a Sable Dataworks corporate geological database which will facilitate easier geological modelling.

#### **Holfontein Coal Project (100%)**

While discussions with the DME with regards to the New Order Mining Right ('NOMR') continued, the Company received Section 11 approval for the transfer to CoAL of 51% of the project from Motjoli Resources (Pty) Ltd, the Company's previous BEE partners. The Section 11 and NOMR applications were submitted in early 2008 and CoAL is confident that the Mining Right approval will be granted in the near future. The Holfontein Project continues to be classified as an asset available for sale.

#### **ArcelorMittal South Africa acquires 16.3% stake in Coal of Africa**

In April, ArcelorMittal South Africa ("ArcelorMittal SA") acquired a 16.3% stake in CoAL from ArcelorMittal Group for R404.5 million in cash, replacing its parent company as the second largest shareholder in CoAL. The transaction will mitigate one of ArcelorMittal SA's key variable input costs by securing part of the company's future coal needs. As part of the transaction, ArcelorMittal SA has secured an option to enter into an off-take agreement with CoAL for the supply of 2.5 million tonnes of metallurgical (coking) coal annually, with an option to increase this in the future. CoAL expects that the coking coal from its Vele Project will enable ArcelorMittal SA to increase the quantity of South African sourced coal in its overall mix to feed its furnaces, further enhancing management of input costs and satisfying an important step in the company's raw material backward integration strategy.

#### **Extension of BEE Agreement**

The agreement with Coal Investments Limited ("CIL") whereby CIL would subscribe for CoAL shares and be granted an option which, if exercised, would result in CIL, African Global Capital L.L.P. ("AGC") and their affiliates holding in excess of 26% of the Company's shares, was further extended to 31 July 2009. AGC is a private equity initiative involving Mvelphanda Holdings (Pty) Ltd, OZ Management LP (an operating entity of Och-Ziff Capital Management LLC (NYSE: OZM)) and Palladino Holdings Ltd.

When implemented, the agreement will ensure that CoAL is fully compliant with South African legislation requiring black empowered groups ("BEE Groups") to hold more than 26% of a mining company's equity by 2014. CIL, AGC and their affiliates were unable to complete the required transactions due to, amongst other and not limited to, regulatory and other approvals not in their direct control. AGC, CIL and their affiliates will continue to use commercially reasonable endeavours to transfer their holdings in the Company to a BEE Group by the amended date.

#### **Construction of Polokwane Analytical Laboratory**

The construction of a world class analytical laboratory in Polokwane (capital of the Limpopo Province) commenced during the quarter. The diversified, high quality testing facility will be managed by international laboratory group, Inspectorate, who will ensure that the laboratory is cost

effective and receives the relevant accreditation. The facility will be well equipped with state of the art technology and will be able to perform extensive Petrographic and thermal coal tests, removing delays experienced by coal exploration and production companies in obtaining sample analysis results.

Samples from the Makhado and Vele Projects have already been delivered to the facility and initial analysis is expected to commence in July 2009.

#### **Nimag Group of Companies (100%)**

The cost cutting and restructuring measures implemented by Nimag management during the financial year ensured the Nimag Group produced positive cash flows. Mr Paul Holmes, a qualified engineer (PhD), was appointed Managing Director and has been tasked with returning the Group to full production capacity, in addition to expanding the business.

Authorised by



SIMON J FARRELL

Managing Director

21 July 2009

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**For more information contact:**

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**About CoAL:**

AIM and JSE listed Coal of Africa Limited ("CoAL"), is primarily focused on the acquisition, exploration and development of metallurgical and thermal coal projects. The Company's key projects, along with its leading metals processing company NiMag Group (Pty) Ltd are in South Africa.

**Resource Estimation:**

Resource estimations have been compiled by Mr John Sparrow (Member of the South African Council of Natural Science Professions SACNASP) 400109/03, an independent geological and technical consultant with 26 years experience in the Southern African and Australian regions. Mr Sparrow has sufficient experience relevant to the assessment of this style of mineralization to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - the JORC Code - and has compiled a number of Competent Person's reports for various organizations for the JSE, ASX and TSE. Mr Sparrow consents to the inclusion of the information in this report in the form and context in which it appears.

[www.coalofafrica.com](http://www.coalofafrica.com)

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Coal of Africa Limited

ABN

98 008 905 388

Quarter ended ("current quarter")

30 June 2009

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	4,083	12,162
1.2	Payments for (a) exploration and evaluation	(3,698)	(11,080)
	(b) development	(6,397)	(32,890)
	(c) production	(8,358)	(28,202)
	(d) administration	(4,846)	(21,418)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2,140	12,371
1.5	Interest and other costs of finance paid	(25)	(467)
1.6	Income taxes paid	(18)	(501)
1.7	Other	-	-
<b>Net Operating Cash Flows</b>		<b>(17,119)</b>	<b>(70,025)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	(13,935)
	(c) other fixed assets	(19,780)	(46,816)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	(23,877)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material – Note 6)	-	(44,334)
<b>Net investing cash flows</b>		<b>(19,780)</b>	<b>(128,962)</b>
1.13	Total operating and investing cash flows (carried forward)	(36,899)	(198,987)

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(36,899)	(198,987)
1.14	<b>Cash flows related to financing activities</b> Proceeds from issues of shares, options, etc.(net) <i>see note 7.4 below</i>	527	33,978
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Exchange rate related movements in foreign borrowings and reserves)	-	-
	<b>Net financing cash flows</b>	<b>527</b>	<b>33,978</b>
	<b>Net increase (decrease) in cash held</b>	<b>(36,372)</b>	<b>(165,009)</b>
1.20	Cash at beginning of quarter/year to date	123,356	252,005
1.21	Exchange rate adjustments to item 1.20	29	17
1.22	<b>Cash at end of quarter</b>	<b>87,013</b>	<b>87,013</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	290
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	4,530	1,162

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,500)
4.2 Development	(32,500)
<b>Total</b>	<b>(34,000)</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,557	1,926
5.2 Deposits at call	86,618	121,593
5.3 Bank overdraft	(1,162)	(163)
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>87,013</b>	<b>123,356</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				



**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2 Interests in mining tenements acquired or increased

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
-	-	-	-

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	411,919,636	411,919,636		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	20,336,544	Nil	<i>Exercise price</i> <b>See Note 7</b>	<i>Expiry date</i> <b>See Note 7</b>
7.8 Issued during quarter	Nil	Nil	<i>Exercise price</i> <b>See Note 7</b>	<i>Expiry date</i> <b>See Note 7</b>
7.9 Exercised during quarter	544,258	544,258		
7.10 Expired during quarter	Nil	Nil		
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 28 July 2009  
Managing Director

Print name: Simon Farrell

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 7 Issued and Quoted Options as at 30 June 2009:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
9,200,000	-	A\$0.50	30 September 2011	-
7,000,000	-	A\$1.25	30 September 2012	-
636,544	-	GBP0.65	30 November 2009	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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250,000	-	A\$2.05	1 May 2012	-
1,000,000	-	A\$1.90	30 September 2012	-
600,000	-	A\$1.25	1 May 2012	-
1,650,000	-	A\$3.25	31 July 2010	-

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+ See chapter 19 for defined terms.